

# Dillon Eustace

## The Leading Irish Law Firm - UCITS Hedge Advice

STUART FIELDHOUSE

In 1992 Dublin saw the birth of a new law firm, set up by five experienced partners led by David Dillon. With Europe emerging from a recession, Dublin was poised to take the world of financial services by storm, using the International Financial Services Centre in the city to attract a broad gamut of business. David Dillon, a specialist in banking and corporate finance, set up the firm's Financial Services Department to meet the demands of a rapidly expanding Dublin asset management community.

The UCITS directive governing fund passporting within the EU had just been implemented into Irish law, and Dublin would quickly become one of the leading domiciles for UCITS funds, bringing to it many of the ancillary services required to support these funds.

"It was clearly a good time to start up," says Donnacha O'Connor, a Partner with the Financial Services and Asset Management practices at Dillon Eustace. "It was a new market and in a way the partners started on a level footing with many of the more established firms."

Winning business, and becoming the leading legal adviser for hedge funds in Dublin has required a lot of hard work. In the early years it meant lawyers spending a great deal of time touring the major fund management centres of the world, including London, New York and Hong Kong in their travel plans. "We needed to commit the bodies to go out there and win the relationships and still do," explains O'Connor. "In a new market the important thing was to get the firm's name out there and to get in front of potential clients. We were able to pitch for business at the right price and had the necessary resources to service the clients we took on. The firm committed itself to financial services from the outset."

The mid-1990s were actually a good time to be building a legal practice in Dublin. The favourable tax environment combined with a roaring bull market to produce a cross-border fund management industry that had money to spend and was active in launching new UCITS-compliant products. Alongside this, the hedge funds industry was beginning to mature, with more hedge fund firms being set up in London, and US firms becoming more interested in raising assets in Europe.

Dillon Eustace also realised that it could leverage its presence in Dublin alongside its growing expertise in financial services, to carve a niche for itself. It could build solid working relationships with onshore firms in other jurisdictions that found themselves in need of Irish lawyers who knew their way around the Irish funds industry and European fund regulations.

"We developed a name as investment funds specialists early on," says O'Connor. "We still have a large team that specialises in that area but we have a broader practice now."

### A dedicated team of financial lawyers

In the asset management practice, the firm has been able to build a dedicated team of lawyers who can handle fund-related issues. Between 2000 and 2010, Dillon Eustace more than tripled their number of staff. This was a rapid expansion in terms of both personnel and business and it is evidence also of Dublin's growth as an asset management servicing centre, a growth curve that does not look like it will be slowed down much by the financial crisis in 2008-09. Innovations like UCITS IV, the launch of alternative investment products in the UCITS wrapper, the Alternative Investment Fund Managers Directive and the increased awareness of alternative investment managers of the part that Ireland can play in making their product offering more tax efficient are likely to continue to keep Dillon Eustace busy for the foreseeable future.

## The alliance with Arendt & Medernach forged in 2000 represented the first cross-border legal co-operation between Ireland and Luxembourg

The firm now has 11 partners who specialise in investment fund work, which is large for an Irish law firm. "You need to get the right mix of people together who also have the right skills for the job," says O'Connor. "It is about building a team with people who are commercial and understand our clients' businesses as well as being technical, and you need people who can work well together and can contribute to a good working environment. We're lucky to have a good team that fits well together. It is an important part of retaining the right people that you get that balance right." As part of the process of developing technical expertise within its staff, Dillon Eustace regularly seconds lawyers to client firms, most often in London and Paris but also in the US. "They come back

understanding the business better but also with the client's perspective."

One of the big challenges for fund advisers, be it legal or tax or anything else has been the shortage of experienced personnel in Dublin. It has been one of the inconvenient side-effects of the centre's success in attracting financial business. Firms have had to raise salaries to compete for the best people, and the same goes for lawyers. There are 8,000 qualified solicitors in Ireland: it is not a large universe of legally-qualified personnel to begin with.

"The legal market is relatively small in Ireland, particularly in financial services," accepts O'Connor. Dillon Eustace has placed a great deal of emphasis on finding the right recruits at trainee level and allowing them to grow with the firm. Some hires have also been made laterally. For example, Benedicte O'Connor joined the firm as a partner with its Financial Services Department in 2006, having spent nine years running the legal department at one of Dublin's leading fund administrators. Brian Higgins actually trained with Dillon Eustace, and re-joined the firm in 2006 as a partner in the Financial Services Department. Another key hire was David Lawless, who joined the firm in 2004 to build its tax department having spent 17 years at PricewaterhouseCoopers where he headed their investment management tax practice. He continues to advise on all aspects of financial services taxation, including structured finance transactions, investment management and capital markets. Sean Murray joined Dillon Eustace at the same time: also from PwC, he was made a partner of the firm in 2007 and works alongside Lawless.

"The creation of the tax practice has been a big boon for the firm," says O'Connor. "It has allowed us to provide a fuller service to our clients and has resulted in a lot of new business for us as the tax aspects of structuring and operating funds have become increasingly critical in recent years. It benefitted our practice across the board."

### Strategic alliance

Although Dillon Eustace does not have any formal tie-ups with other onshore or offshore firms, it does have a strategic alliance with Luxembourg law firm Arendt & Medernach. This has been particularly beneficial in the last couple of years as the attraction of launching hedge funds as UCITS has gathered steam. The alliance with Arendt & Medernach was forged in 2000, and represented the first cross-border legal co-operation between Ireland and Luxembourg. By combining their investment funds divisions, Dillon Eustace and Arendt & Medernach created the first investment funds practice to cover both jurisdictions on a unified

basis. The two firms dominate the market for legal services for UCITS hedge funds at the moment.

“We also have very good relationships with a number of onshore law firms,” says O’Connor. “Firms want to work with experienced lawyers who know what they’re doing, and they want competitive pricing.”

Ultimately, a successful law firm is defined by the quality and expertise of its people. Dillon Eustace has been independently praised for the dynamism of its staff, as well as its friendly and ‘no nonsense’ approach which is valued in the hedge funds community. It has been well-positioned in Dublin to advise hedge funds as they have come to represent an important part of the financial services business there. But it has also not been content to remain

a ‘Dublin only’ firm. The alliance with Arendt & Medernach was a far-sighted one, allowing both firms to retain a dominant position in the cross-border UCITS funds business. The opening of offices in Boston, New York and Tokyo demonstrate that Dillon Eustace has ambitions far beyond the banks of the River Liffey and recognises that its clients are ultimately global firms with global legal challenges to meet.

“We have been in this area for almost 20 years and our business is still growing” says O’Connor of the firm’s progress. “We feel we are well-equipped to face the new challenges in the legal market. We’re seeing a huge amount of growth in this industry and we feel we have the skills within our firm to play a valuable role in that growth.” [THFJ](#)

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**Andrew Bates**  
*Partner and Head of Financial Services*

Andrew has been advising on the establishment of investment funds for over 18 years, working primarily on UCITS structures, hedge funds, private equity funds and real estate structures for many leading UK, continental European, US and South African financial services groups. Andrew has been closely involved in negotiating positive changes in Irish fund regulation with the Central Bank over the years, including the development of side pockets, master-feeder funds with unregulated masters and changes to the custody rules for real estate funds. Most recently Andrew has spent a lot of time

working on Madoff-related matters for affected fund clients. Andrew is a former Council Member of the Irish Funds Industry Association (IFIA), is a member of Committee I of the International Bar Association, and is a regular speaker at domestic and international fora on investment funds.



**David Lawless**

David joined Dillon Eustace in 2004 to establish the firm’s taxation department having spent the previous 17 years in PricewaterhouseCoopers where he became a tax partner in 1996. He has advised on all taxation aspects of financial services including structured finance transactions, investment management, capital markets, real estate, private equity, banking, treasury and reinsurance. He has written and spoken extensively on such topics and has participated in many public/private tax committees in Ireland to make Ireland an attractive tax location. He is a member of the tax committees of the Irish Funds Industry Association, the Alternative

Investment Management Association, the Irish Securitisation Forum and the Law Society of Ireland.



**Donnacha O’Connor**  
*Partner*

Donnacha has advised in the investment fund area for 14 years, having been in-house counsel to an institutional hedge fund for four years before joining Dillon Eustace in 2001.

His practice spans regulated and unregulated hedge funds and traditional investment funds, advising managers, prime brokers, dealers and other service providers operating in the industry. He also has a significant practice in establishing regulated investment services firms in Ireland such as hedge

fund managers, broker dealers and market makers who are using Ireland as a base for their cross border activities in Europe.